



Creating and Sustaining Successful Alliances



Understand the principles for
developing effective and
lasting alliances



Learning Objectives

At the end of this module, you will be able to:

- Identify the possibilities of strategic alliances.
- Describe the importance of developing a joint strategy together.
- Create realistic expectations for the steps needed to continuously improve the alliance.



About FDIC Small Business Resource Effort

- The Federal Deposit Insurance Corporation (FDIC) recognizes the important contributions made by small, veteran, and minority and women-owned businesses to our economy. For that reason, we strive to provide small businesses with opportunities to contract with the FDIC. In furtherance of this goal, the FDIC has initiated the FDIC Small Business Resource Effort to assist the small vendors that provide products, services, and solutions to the FDIC.
- The objective of the Small Business Resource Effort is to provide information and the tools small vendors need to become better positioned to compete for contracts and subcontracts at the FDIC. To achieve this objective, the Small Business Resource Effort references outside resources critical for qualified vendors, leverages technology to provide education according to perceived needs, and offers connectivity through resourcing, accessibility, counseling, coaching, and guidance where applicable.
- This product was developed by the FDIC Office of Minority and Women Inclusion (OMWI). OMWI has responsibility for oversight of the Small Business Resource Effort.



Executive Summary

- Most small businesses recognize the benefits of creating strategic alliances with other firms.
- While working with other firms has many benefits, there are also some pitfalls.
- By understanding the principles of creating and sustaining win-win alliances, you can grow your business capability and profits.



What is an Alliance?

- An alliance is a collaboration with another business (or several businesses) for the purposes of minimizing risk and maximizing profit.
- Alliances can be written agreements or contracts between parties, or they can be formalized legal structures, such as joint ventures or partnerships.
- Alliances are becoming more popular as competition intensifies and markets become more global.
- Alliances can be a step forward to formalize your business networks—you agree to do certain kinds of business exclusively with certain partners.



Possible Benefits of Strategic Alliances *(Slide 1 of 2)*

- Increased growth opportunities:
 - Combine complementary products or services to sell a more profitable product/service to a common customer (or a completely new customer or segment).
 - Expand geographically at a smaller cost.
 - Gain inroads into new business and trust with bigger clients (that normally would not have hired a smaller firm).
- Cost savings opportunities:
 - Share infrastructure support (back office functions such as finance, HR, technology, operations).
 - Buy in bulk to get bulk discounts.
 - Advertise and market together.
 - Lower overhead by using vacant capacity.



Possible Benefits of Strategic Alliances *(Slide 2 of 2)*

- Opportunities to minimize risk:
 - Expand into new geographic markets with a partner who is experienced and knowledgeable in that market—knows the players, the laws/regulations, etc.
 - Expand into new product/service lines with a partner who has learned from first-time mistakes.



Possible Pitfalls of Strategic Alliances

- Disagreement over how to actually work together to deliver for the joint client.
- Lack of a clear outline for each aspect of the shared business.
- Changing priorities by one or both parties.
- Disagreement over how to handle unknown problems and challenges that arise.
- Miscommunication of roles and responsibilities.
- Lack of trust between partners is the *biggest cause of failure*.



Three Key Principles

- Follow these three key principles to make your strategic alliances work:
 1. Build your strategy first.
 2. Develop a joint strategy with a potential partner before signing a formal agreement.
 3. Understand that a successful alliance takes time, attention, and focus.



First Key Principle

1. Build your strategy first.

- Review your vision, mission, long-term strategy, and short-term business goals.
- Conduct a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) of your own company.
- Identify the areas where a strategic alliance is a good option for you.
- Build an alliance plan/strategy that capitalizes on this knowledge.



Second Key Principle

2. Develop a joint strategy with a potential partner before signing a formal agreement.
 - Meet with potential alliance partners and share the information about your strategy. Try to understand each other's mindset.
 - Answer these questions together:
 - What goals are important to us, both individually and together?
 - How will we make decisions?
 - Why is this partnership important to us?
 - How will roles and responsibilities be defined and determined?
 - What will our measures of success be? How will we celebrate success?
 - How will we manage conflicts?
 - If this session goes poorly, then don't pursue the strategic alliance.
 - If this session goes well, you have just discussed a large part of what needs to be in the formal agreement.
 - Draw up a formal agreement that both parties sign.



Third Key Principle

3. Understand that a successful alliance takes time, attention, and focus.
 - Pay attention to your alliance. Don't form it and then ignore it.
 - Measure results frequently and discuss them together to keep your alliance healthy.
 - Answer these questions as you jointly review results:
 - What went well? Didn't go well? Why?
 - What do we wish we could go back and change?
 - What wouldn't we change?
 - Were we true to the goals of this alliance?
 - What do we need to change/tweak to improve?
 - The alliance needs to serve both parties well; if not, it cannot be sustained.



Key Takeaways from This Module

- Approach strategic alliances with a clear plan of what you want.
- Hold a get-to-know-each-other session before you sign on the dotted line to ensure you each get what you want from the alliance.
- Rigorously measure results and discuss them thoroughly.
- Continuously refine the working relationship for best results.



Sources and Citations

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